

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

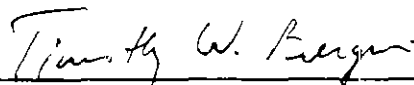
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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket # 97-1

POSTAL RATE AND FEE CHANGES, 1997

**THE MCGRAW-HILL COMPANIES' INITIAL
INTERROGATORIES AND OTHER DISCOVERY REQUESTS
DIRECTED TO USPS WITNESS O'HARA (MH/USPS-T30-1-4)**

Pursuant to the Commission's rules of practice, sections 25-27, The McGraw-Hill Companies, Inc. submits the following interrogatories and other discovery requests to United States Postal Service witness Donald J. O'Hara.

Respectfully submitted,

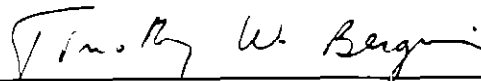


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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document in accordance with Section 12 of the rules of practice.



Timothy W. Bergin

September 17, 1997

MH/USPS-T30-1. With respect to your testimony at p. 4 ("Value of Service"), as applied to Periodicals Regular mail at pp. 29-30 of your testimony:

(a) Please explain fully the source and justification for your statement at p. 4 that apart from the "intrinsic value" of the service provided, "[a]nother aspect of value of service is the degree to which usage of the service declines in response to price increases, often referred to as the economic value of service."

(b) Please confirm that own-price elasticity of demand, standing alone, is not necessarily the sole indicator, much less a dispositive determinant, of the economic value of service. To the extent that you are unable to confirm, please explain fully.

(c) Please confirm that own-price elasticity of demand is a less reliable indicator of the economic value of service to the extent that own-price elasticity of demand reflects lack of available alternatives. See, e.g., USPS-T-30, p. 23 lines 4-6, 11-15; response to ABP/USPS-T30-1. To the extent that you are unable to confirm, please explain fully.

(d) Please explain fully any underlying economic justification, and/or common sense rationale, for concluding that the "economic value" of a mail service is higher than the "intrinsic value" of the service provided.

MH/USPS-T30-2. With respect to the "intrinsic value" of mail service provided for Periodicals mail, which you describe (p. 29, line 22, through p. 30, lines 1-2) as "moderately high" by comparison with other mail classes:

(a) Please describe fully the data collection program known as "EX2C", including its purpose, methodology, time-frame, and results.

(b) Please explain fully all of the reasons why the EX2C program was terminated.

(c) Please provide as a library reference all reports, summaries, analyses, and aggregations of the data (redacted if necessary to protect the identity of program participants) generated by the EX2C program.

(d) Please identify any and all other information available to the Postal Service (whether or not based upon "nationally representative" data) relating to the extent to which Periodicals (second class) service standards have or have not been met from January 1994 forward, and provide all documents reflecting such information.

(e) Please state the extent to which, and the reasons why, Periodicals (second-class) mail has been processed with (or after) Standard A (third-class) mail at ADCs (or other mail processing facilities other than delivery units) since January 1996, resulting in a delay (loss of preference) in the processing or delivery of Periodicals (second-class) mail, and provide all documents relating to such practice.

MH/USPS-T30-3. With respect to your testimony (p. 30, lines 20-22) that "[t]he Postal Service is undertaking an analysis to understand what factors may have contributed to increases in flats mail processing costs, especially for Periodicals", please explain fully the reasons why it was determined that such analysis is necessary, and provide all documents reflecting the reasons that led the Postal Service to undertake such analysis.

MH/USPS-T30-4. With respect to your testimony (p. 12, lines 1-11) that "[f]or assessing the burden of meeting the revenue requirement, the appropriate comparison is the ratio of revenue to volume variable cost", rather than to "attributable cost" as defined in prior proceedings, please explain fully whether and how specific-fixed costs, and/or other (sub)class-specific costs that are not volume variable, are to be taken into account in determining proposed cost coverages (including mark-up over volume variable costs) and rates for the various classes and subclasses.